Patent Litigation Practice in Texas

Implications of *Daimler v. Bauman* (United States Supreme Court 2014)

Sylvia M. Becker
General Jurisdiction
Prior to *Daimler v. Bauman*

- “Continuous and Systematic Contacts”.
  - Even when cause of action has no relation to those contacts.
  - No specific test.
  - Court must look to facts of each case.
General Jurisdiction
Prior to *Daimler v. Bauman*

• Contacts considered by district courts:
  – Sales and distribution in the forum.
  – Registration to do business or licenses held in the forum.
  – Prior cases where the defendant asserted claims in the forum or was amenable to jurisdiction.
  – Website accessible in the forum.
  – “Presence” in state.
Daimler v. Bauman,
134 S. Ct. 746 (2014)

• Facts:

  • Plaintiffs were residents of Argentina.

  • Plaintiffs sued Daimler AG ("Daimler") in California in 2004.

  • Complaint alleged that between 1976 and 1983, during Argentina’s “Dirty War,” Daimler’s Argentinian subsidiary collaborated with Argentinian state security forces to commit human rights violations.

    – No part of MB Argentina’s alleged conduct took place in California (or anywhere else in the United States).
Plaintiffs’ argument re jurisdiction:

- California “is a place where Daimler may be sued on any and all claims against it, wherever in the world the claims may arise.” *Id.* T 751.

- Jurisdiction in California based on contacts of Daimler AG’s U.S. subsidiary, Mercedes–Benz USA, LLC (MBUSA).

  - MBUSA was not a party to the lawsuit, but was alleged to be defendant’s agent in the USA and California.

  - MBUSA distributed Daimler-manufactured vehicles to independent dealerships throughout the United States, including California.

  - MBUSA had multiple California-based corporate facilities.

  - MBUSA’s sales in California generated about $4.6 billion (2.4% of Daimler's worldwide sales, which were $192 billion in 2004).

  - MBUSA incorporated in Delaware; principal place of business in New Jersey.
Daimler v. Bauman,
134 S. Ct. 746 (2014) (cont’d)

• District Court:
  – MBUSA’s contacts could not be attributed to Daimler for jurisdictional purposes.
  – MBUSA was not Daimler’s agent.
  – Daimler’s own contacts with California insufficient to support general jurisdiction.

• U.S. Court of Appeals for the Ninth Circuit:
  – Initially affirmed district court.
  – On rehearing, reversed district court.
  – Found general jurisdiction based on agency relationship between Daimler and MBUSA.
Daimler v. Bauman, 134 S. Ct. 746 (2014) (cont’d)

• U.S. Supreme Court (Majority Opinion by Justice Ginsberg):
  – Rejected Ninth Circuit’s view that MBUSA could be considered an agent for Daimler for jurisdictional purposes.
  – Even assuming MBUSA’s contacts could be attributed to Daimler, Daimler still not subject to general jurisdiction.

  • “Plaintiffs would have us . . . approve the exercise of general jurisdiction in every State in which a corporation engages in a substantial, continuous, and systematic course of business.’ That formulation, we hold, is unacceptably grasping.” Id. at 760-61.
• General jurisdiction requires more than “continuous and systematic contacts.”

• Question is whether corporation can be considered “at home” in the forum.

  “[T]he inquiry under Goodyear is not whether a foreign corporation’s in-forum contacts can be said to be in some sense ‘continuous and systematic,’” it is whether that corporation’s ‘affiliations with the State are so “continuous and systematic” as to render [it] essentially at home in the forum state.’” Id. At 761 (quoting Goodyear Dunlop Tires Operations, S.A. v. Brown, 131 S. Ct. 2846, 2851) (emphasis added).
Daimler v. Bauman, 134 S. Ct. 746 (2014) (cont’d)

• Typically “at home” only in two “paradigmatic” bases for jurisdiction:
  – Place of incorporation.
  – Principal place of business.

• These affiliations have virtue of being:
  – Unique (each ordinarily only one place).
  – Easily ascertainable.
• Limiting general jurisdiction to only those forums where corporation is “at home” allows corporations “to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.” *Id.* at 761-762.

• Theories that render corporation potentially liable to suit for all claims in many if not all states, lead to unpredictability for the corporation and are thus “unacceptably grasping.”
Daimler v. Bauman, 134 S. Ct. 746 (2014) (cont’d)

• Daimler not “at home” in California:
  – Neither Daimler nor MBUSA are incorporated in California.
  – Neither Daimler nor MBUSA have its principal place of business in California.
  – If Daimler’s California activities sufficed to allow adjudication of this Argentina-rooted case in California, the same global reach would presumably be available in every other State in which MBUSA’s sales are sizable.” Id. at 761-62.
• Possible **exceptional case**:

  “We do not foreclose the possibility that in an exceptional case, a corporation’s operations in a forum other than its formal place of incorporation or principal place of business may be so substantial and of such a nature as to render the corporation at home in that State. But this case presents no occasion to explore that question, because Daimler’s activities in California plainly do not approach that level.” *Id.* at 761 n.19 (internal citation omitted) (emphasis added).
Exceptional case:

  - Defendant company incorporated under the laws of the Philippines, where it operated gold and silver mines.
  - Defendant ceased mining operations during the Japanese occupation of the Philippines in World War II.
  - President moved to Ohio, where he kept an office, maintained the company’s files, and oversaw the company’s activities.
  - Ohio courts could exercise general jurisdiction because “Ohio was the corporation’s principal, if temporary, place of business.” *Daimler*, 134 S.Ct. at 756.
Hatch-Waxman Litigation

• Statutory scheme to allow generic drug companies to enter market immediately upon – or in some cases before -- expiration of relevant patents.

• Filing of Abbreviated New Drug Application (ANDA) with a certification that relevant patents are invalid or not infringed constitutes “artificial act of infringement.”
  – Required notice to patent holder triggers 45 day period to file suit to obtain 30-month stay of FDA approval of ANDA.
  – Litigation commences before actual sale of infringing product.

• Patent holders have typically relied on general jurisdiction to sue ANDA filer(s).
  – Multiple defendants.
  – Preferred forums.
Facts:

- Mylan filed ANDA seeking to market generic version of AstraZeneca’s Onglyza® and Kombiglyze® XR.

- Mylan sent notice letter to Astra Zeneca (AZ) at U.S. headquarters in Delaware (also AZ’s place of incorporation).

- Mylan is incorporated in West Virginia.

- Mylan has its principal place of business in Morgantown, West Virginia.

- Mylan has no property or employees in Delaware.

- Mylan conducts essentially no direct sales in Delaware.

- Mylan has litigated in District of Delaware numerous times, mostly as a defendant, but also as a plaintiff in a handful of cases.

- Mylan is registered to do business in Delaware and has appointed a registered agent to accept service of process in Delaware, pursuant to 8 Del. C. §§ 371, 376.
General Jurisdiction:

- **Mylan is not “essentially at home” in Delaware.**

- Allegations of being “registered to do business” and “a broad network of third-party contacts within the state” “fail to show activity ‘comparable to domestic enterprise in [Delaware].’” (quoting Daimler)

  “Mylan is ‘one of the largest generic pharmaceutical companies in the world.’ Upholding jurisdiction on these allegations alone would permit the “exercise of general jurisdiction in every [s]tate,” a result specifically precluded by the Supreme Court.”

- “Mylan’s litigation history in Delaware fails to rise” to the level of “exceptional case” discussed in Daimler.
• General Jurisdiction (cont’d)

  – Mylan did not consent to general jurisdiction by registering to do business in Delaware.

  • “[C]ircuit split as to whether this type of ‘statutory consent’ is an adequate basis on which to ground a finding of personal jurisdiction. . . . [Some jurisdictions], including the Third Circuit, have upheld a finding of general jurisdiction on statutory registration grounds alone.”

  • “In light of the holding in Daimler, the court finds that Mylan’s compliance with Delaware’s registration statute — mandatory for doing business within the state — cannot constitute consent to jurisdiction.”

  • “Finding mere compliance with such statutes sufficient to satisfy jurisdiction would expose companies with a national presence (such as Mylan) to suit all over the country, a result specifically at odds with Daimler.”
• Specific Jurisdiction:
  – Mylan is subject to specific jurisdiction in Delaware.

  • Because this was ANDA litigation, no actual infringing sales.

  • “Mylan sent its paragraph IV certification to AstraZeneca U.S. in Delaware, thus triggering the forty-five-day countdown for AstraZeneca to file a lawsuit—a ‘real act with actual consequences.’ Thus, AstraZeneca’s cause of action—albeit the ‘artificial’ injury created by § 271(e)(2)—arose out of Mylan’s contact with AstraZeneca in Delaware.” (internal citation omitted)

  • “The court is convinced that the act of filing an ANDA and the paragraph IV notification provide sufficient minimum contacts with the state of Delaware under a specific jurisdiction analysis.”
• Specific Jurisdiction (cont’d):

  - “The ‘traditional notions of fair play and substantial justice’ . . . weighs strongly in favor of exercising specific jurisdiction. Mylan is no stranger to ANDA litigation in Delaware, and the court is not convinced that it would be “unfair” to subject Mylan to suit here. Conversely, AstraZeneca would be substantially burdened if forced to bring lawsuits against each ANDA filer in the defendants’ home states. Such a result would be inconsistent with the ‘balance’ that Congress sought to create in passing the Hatch–Waxman Act.”
Facts:

- Mylan Pharma Inc. (Mylan Pharma):
  - Filed ANDA seeking to market a generic version of Acorda’s Ampyra®.
  - Sent notice letter to Acorda, a Delaware corporation, at its headquarters in New York state.
  - Is a corporation organized under the laws of the State of West Virginia.
  - Has its principal place of business in Morgantown, West Virginia.
  - Pursuant to Delaware Code, registered to do business in Delaware and appointed registered agent to accept service of process in the State of Delaware.
  - Has no manufacturing plants, offices facilities, other property, telephone listing, or mailing address in Delaware.
  - Had no direct sales in Delaware in 2013.
• Facts (cont’d):
  – Mylan Inc. (parent of Mylan Pharma).
    • Is corporation organized under the laws of Pennsylvania.
    • Has principal place of business in Canonsburg Pennsylvania.
    • Is one of the largest generic pharmaceutical companies in the world today.
    • Has 20 subsidiaries incorporated in Delaware.
    • Is NOT registered to do business in Delaware.
    • Has litigated as a defendant and has asserted counterclaims in at least 15 cases initiated in Delaware in the past ten years.
    • Has no manufacturing plants, offices facilities, other property, telephone listing, or a mailing address in Delaware.
    • Had only $429 in revenue from direct sales in Delaware.
• General Jurisdiction:

  – Mylan is not at home in Delaware.

  • “Here, neither of the two paradigmatic scenarios in which a corporation is ‘at home’ are present, as neither Mylan Pharma nor Mylan Inc. are Delaware corporations or have their principal place of business in Delaware.

  • “While both Mylan entities have litigated frequently in the District of Delaware, Mylan Pharma is registered to do business in Delaware, and numerous Mylan Inc. subsidiaries are incorporated in Delaware, these contacts are inadequate for purposes of general jurisdiction. In short, this is not an ‘exceptional case’ in which Mylan should be deemed to be ‘at home’ in Delaware.”

  – HOWEVER …
• Mylan Pharma consented to jurisdiction in Delaware. (Contrary to Judge Sleet.)
  – Delaware case law interpreting Delaware registration statute “held that a corporation qualified to do business in Delaware, which requires appointment of an agent to accept service of process, has consented to the general jurisdiction of the courts in the State of Delaware.”
  – Mylan did not withdraw registration.
  – “Daimler does not eliminate consent as a basis for a state to establish general jurisdiction over a corporation which has appointed an agent for service of process in that state, as is required as part of registering to do business in that state.” Id. at *12.
  – No need for minimum contacts analysis.
Specific Jurisdiction:

- **Mylan is subject to specific jurisdiction in Delaware.**
  - “[B]ecause Acorda is a Delaware corporation, it seems proper to conclude that Acorda suffers ‘injury’ in Delaware as a result of Mylan’s ANDA Filing.” *Id.* at *18.
  
- Given related litigation in Delaware, Mylan “should have known that” “Plaintiffs would almost certainly sue Mylan Pharma in Delaware.” *Id.* at *16.
  
- “At bottom, Mylan Pharma’s conduct has been ‘such that [it] should **reasonably anticipate being haled into court**’ here in the District of Delaware.” *Id.* at *17.
Federal Circuit

- Judge Sleet certified interlocutory appeal in Astra Zeneca case.
- Judge Stark certified interlocutory appeal in Acorda case.
- Mylan has petitioned to appeal both the AstraZeneca and Acorda decisions to the Federal Circuit.
Facts:

– Plaintiff sued Hawaiian Airlines and several other defendants in Texas.

– Plaintiff alleged that Hawaiian’s operation of its frequent flyer mileage program infringed patents on methods and computer programs for converting loyalty award credits from one vendor to another.

– Hawaiian is a Delaware corporation with its principal place of business and corporate headquarters in Hawaii.

– Hawaiian does not serve any city in Texas with air passenger service.

– Hawaiian does not have any offices, facilities, or support operations in Texas.

– Hawaiian has customers in Texas who are members of frequent flyer program and used it to convert loyalty award credits.
• No General Jurisdiction over Hawaiian.
  
  — “The domicile of customers of a company . . . says nothing about whether the company has a sufficient presence in the state where those customers are located.”
  
  — “[Plaintiff’s] argument on general jurisdiction is essentially the same as the argument made by the respondent in the Daimler case—that the Court should ‘approve the exercise of general jurisdiction in every State in which a corporation ‘engages in a substantial, continuous, and systematic course of business.’”
  
  — “In sum, because there is no evidence that Hawaiian is ‘essentially at home’ in the State of Texas, the Court rejects Loyalty’s argument that the Court may exercise general personal jurisdiction over Hawaiian.”
  
  — No discussion of consent.
Hawaiian Airlines is Subject to Specific Jurisdiction in Texas.

- “[Hawaiian Airlines frequent flier program] members [in Texas] have taken advantage of the accused conversion features of the programs numerous times. [Plaintiff’s] evidence shows that on 2620 occasions since 2008, Texas residents have either converted loyalty points with partners of Hawaiian into frequent flyer miles credits in the [Hawaiian Airlines] programs or [vice versa].”

- “Those transactions relate to the alleged acts of infringement at issue in this case, namely, the use of computers to enable customers to convert loyalty award credits of one company into those of the company’s commerce partners. **By offering membership in loyalty awards programs to Texas residents and enabling them to convert loyalty award credits with other vendors, Hawaiian has purposefully directed its activities at the forum state.**”
• “Hawaiian has not met its burden to show that this is a ‘compelling’ case in which ‘fair play and substantial justice’ require that personal jurisdiction not be recognized.”

   – Burden of litigation in Texas greater than in Hawaii, but not necessarily greater than in Delaware, where Hawaiian is subject to jurisdiction.

   – Texas has sufficient interest in preventing infringement by Hawaiian.

• “Hawaiian is in the same situation as many other national corporations that sell products or services nationwide. Those companies are subject to specific jurisdiction in any district in which their infringing products are sold. . . . This is not a case in which a single isolated sale or use of a product is being employed to obtain personal jurisdiction over a defendant that otherwise has had no business relationship with the forum.”
No Consent by Registration in Texas

- *Wenche Siemer v. Learjet Acquisition Corp.*, 966 F.2d 179 (5th Cir. 1992)

  - “Not only does the **mere act of registering an agent** not create Learjet’s general business presence in Texas, it also **does not act as consent to be hauled into Texas courts on any dispute with any party anywhere concerning any matter**. The Texas Business Corporation Act provides that service on a registered foreign corporation may be affected by serving its president, any vice president, or the registered agent of the corporation. **No Texas state court decision has held that this provision acts as a consent to jurisdiction over a corporation in a case such as ours — that is where plaintiffs are non-residents and the defendant is not conducting substantial activity within the state.”

  - “In short, a foreign corporation that properly complies with the Texas registration statute only consents to personal jurisdiction where such jurisdiction is constitutionally permissible.”
Daimler AG v. Bauman: Implications in Texas

• Less opportunity to assert general personal jurisdiction.

• Specific jurisdiction remains available for Plaintiffs to assert.

• ANDA litigation in Texas?
  – If no consent by Texas business registration, general jurisdiction only over generics “essentially at home” in Texas.
  – Possible specific jurisdiction theory if:
    • Notice letter sent to patent owner headquartered or incorporated in Texas.
      and
    • Defendant should reasonably anticipate being haled into Texas (e.g., pending related litigation on same patents).
Will Daimler change the outcome in jurisdictions that allow for consent to general personal jurisdiction based on business registration?

Southern District of New York:

- Pre-Daimler
  - “In maintaining an active authorization to do business and not taking steps to surrender it as it has a right to do, defendant was on constructive notice that New York deems an authorization to do business as consent to jurisdiction.”
• Southern District of New York:
  – Post-Daimler
      – “After Daimler, with the Second Circuit cautioning against adopting ‘an overly expansive view of general jurisdiction,’ the mere fact of Herschend’s being registered to do business is insufficient to confer general jurisdiction in a state that is neither its state of incorporation or its principal place of business.”
      – BUT, no express discussion of consent.
E.D.T.X. vs. OTHER VENUES
Patent Claim Invalidations
IPR v. E.D.T.X.
Since 2012

• IPR Proceedings: 24.05% (2,176 claims were found unpatentable out of 9,048 claims challenged)

• ED TX: 0.5% (27 findings of invalidity in 5,077 patent cases filed)
Patent Claim Invalidations in District Courts Since 2010

- All District Courts: 1.1% (263 findings of invalidity in 23,436 patent cases filed)
- E.D. Texas: 0.5% (27 findings of invalidity in 5,077 patent cases filed)
- N.D. Illinois: 0.6% (6 in 1,017 cases)
- D. New Jersey: 0.8% (8 in 952 cases)
- D. Delaware: 0.8% (36 in 4,115 cases filed)
- C.D. California: 1.9% (35 in 1,783 cases filed)
- N.D. California: 3.4% (41 in 1,195 cases)
Stay Motion Success Rate
EDTX v. Other Districts
Since Effective Date of IPR (9/16/12)
Stay Motion Success Rate Since Effective Date of IPR (9/16/12)

• All District Courts: 60.0% (282 granted out of 470 motions)
• D. New Jersey: 33.3% (2 motions granted out of 6)
• E.D. Texas: 37.7% (23 granted out of 61 motions)
• C.D. California: 54.5% (18 motions granted out of 33)
• N.D. California: 59.4% (38 motions granted out of 64)
• D. Delaware: 68.6% (24 granted out of 35 motions)
• N.D. Illinois: 90.0% (18 motions granted out of 20)
Transfer Motion Success Rate
EDTX v. Other Districts
Since 2010
Transfer Motion Success Rate Since 2010

• National rate: 53% (516 of 973 granted)
• N.D. California: 47% (26 of 55 granted)
• E.D. Texas: 51% (140 of 275 granted)
• D. Delaware: 62% (105 of 170 granted)
• C.D. California: 67% (40 of 60 granted)
• N.D. Illinois: 76% (41 of 54 granted)
• D New Jersey: 82% (9 of 11 granted)
Locations

ABU DHABI
Abu Dhabi Global Market Square
Al Sila Tower, 21st Floor
P.O. Box 55069
Abu Dhabi, United Arab Emirates
Tel. +971 2.406.8500

AUSTIN
600 Congress Avenue
Suite 1350
Austin, TX 78701-3238
Tel. +1 512.499.6200

BEIJING
Suite 06, EF Floor
Twin Towers (East)
B12 Jianguomenwai Avenue
Beijing 100022, China
Tel. +86 10.8567.2200

DALLAS
1700 Pacific Avenue, Suite 4100
Dallas, TX 75201-4624
Tel. +1 214.969.2800

DUBAI
Boulevard Plaza
Tower Two, 23rd Floor
P.O. Box 120109
Dubai, United Arab Emirates
Tel. +971 4.317.3000

FORT WORTH
201 Main Street
Suite 1600
Fort Worth, TX 76102
Tel. +1 817.886.5060

FRANKFURT
Opern Turm
Bockenheimer Landstraße 2-4
60306 Frankfurt/Main
Germany
Tel. +49.69.677766.0

GENEVA
3, rue François Bellot
1206 Geneva, Switzerland
Tel. +41 22.787.4000

HONG KONG
Unit 01-04 & 10, 28th Floor
Alexandra House
18 Chater Road
Central, Hong Kong
Tel. +852 3694.3000

HOUSTON
1111 Louisiana Street, 44th Floor
Houston, TX 77002-5200
Tel. +1 713.220.5800

IRVINE
4 Park Plaza
Suite 1900
Irvine, CA 92614-2585
Tel. +1 949.885.4100

LONDON
Eighth Floor
Ten Bishops Square
London E1 6EG
United Kingdom
Tel. +44.20.7012.9600

41 Lothbury
London EC2R 7HF
United Kingdom
Tel. +44.20.7012.9600

LONGVIEW
Austin Bank Building
911 West Loop 281
Suite 211-40
Longview, TX 75604
Tel. +1 903.297.7400

LOS ANGELES—CENTURY CITY
2029 Century Park East
Suite 2400
Los Angeles, CA 90067-3010
Tel. +1 310.229.1000

LOS ANGELES—DOWNTOWN
633 West Fifth Street
Suite 5000
Los Angeles, CA 90071-2081
Tel. +1 213.254.1200

MOSCOW
Geneva House
7 Petrovka Street
Moscow, 107031 Russia
Tel. +7 495.783.7700

NEW YORK
One Bryant Park
Bank of America Tower
New York, NY 10036-6745
Tel. +1 212.872.1000

PHILADELPHIA
Two Commerce Square
2001 Market Street
Suite 4100
Philadelphia, PA 19103-7013
Tel. +1 215.965.1200

SAN ANTONIO
300 Convent Street
Suite 1600
San Antonio, TX 78205-3732
Tel. +1 210.281.7000

SAN FRANCISCO
580 California Street
Suite 1500
San Francisco, CA 94104-1036
Tel. +1 415.765.9500

SINGAPORE
1 Raffles Place
#19-61
One Raffles Place Tower 2
Singapore 048616
Tel. +65 6579.9000

WASHINGTON, D.C.
Robert S. Strauss Building
1333 New Hampshire Avenue, N.W.
Washington, DC 20036-1564
Tel. +1 202.887.4000